

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Continental Resources Inc.
P.O. Box 1032
Enid, OK 73702

Township 23 North, Range 55 East
Section 1: ALL
Township 24 North, Range 55 East
Section 36: ALL
1279.80 Acres
Richland County

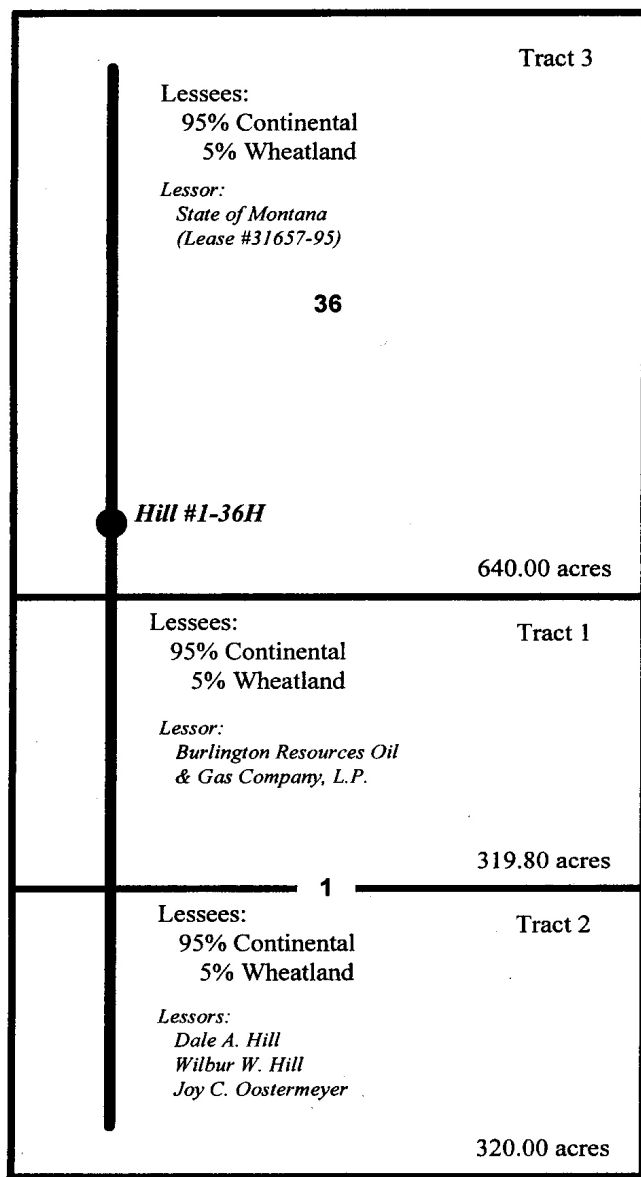
Continental Resources Inc. has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The HILL 1-36H well, which is a Bakken formation oil well, was drilled in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 36. This spacing unit has a total of 1279.80 acres. The Department owns 640 acres of the 1279.80 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Bakken formation in all of Sections 1 and 36.

The Department's tract comprises 50.0078% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.501% of all oil production (13% royalty rate x 50.0078% tract participation) and 6.2510% of all gas production (12.5% royalty rate x 50.0078% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.



Township 24 North
 Range 55 East
 Section 36

Township 23 North
 Range 55 East
 Section 1

Tract No.	No. of Acres Committed	% of Interest in Communitized Area	Royalty Rate	Owners Interest
1	319.80	24.9883%	17.50%	4.3729%
2	320.00	25.0039%	16.67%	4.1673%
3	<u>640.00</u>	<u>50.7814%</u>	12.50%	6.25097%*
Total	1279.80	100.0000%		

* Owners Interest was calculated based on 12.5% royalty (13.0% Oil)